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E-Systems to sue Iran for work on 707 jets

By ROBERT DODGE
Staff Writer

E-Systems Inc. said it will file suit today in federal court seeking approximately \$15.2 million in damages and cancellation of \$4.4 million in letters of credit from the Government of Iran and the Bank of Melli Iran.

The Dallas electronics company said it would file the suit in U.S. District Court in Dallas charging that Iran defaulted on a 1977 contract in which the company's Greenville Division was to install communication and navigation equipment on two Boeing 707 jets owned by the Persian Gulf nation.

"We filed the lawsuit to protect the company and its shareholders properly interests in these aircraft," John M. Dixon, chairman and president, said in a prepared statement. "We are asking the court to declare the contract in default and to permit foreclosure of liens existing on the aircraft. Once authorized, the aircraft will be sold at auction."

In its one-page statement issued Tuesday, E-Systems said the value of the contract, originally set at \$28 million, had escalated in value to about \$35 million by the time Iran defaulted in November 1978. The amounts to be claimed by E-Systems, the company said, represent sums due under the contract and other unspecified damages.

An E-Systems spokesman, who asked to remain unnamed, declined to explain why Iran defaulted on the project, how the planes would have been used or what efforts the com-

pany has made in the last year to recover the money it is owed.

"The company is being careful about the answers to questions due to the effect on legal proceedings," the spokesman said.

But according to a Pentagon source familiar with the contract, the two tanker-type jets were to be equipped with sophisticated electronic hardware for use in a "James Bond" like program called IBEX in which the latest American technology was being applied in Iran for deposed Shah Mohammad Reza Pahlavi with the assistance of the Central Intelligence Agency.

Under the \$500 million program, the Shah wanted to establish a border surveillance system for Iran. The project called for 11 ground monitoring posts, six airborne units and several mobile ground units. Bids were submitted by four U.S. corporations including E-Systems, Rockwell, GTE Sylvania and Mechanics Research Inc.

IBEX, which according to some press accounts, involved the laundering of millions of dollars through Swiss bank accounts to pay for work done by American corporations, was started in 1974 when the Shah decided he wanted the best electronic ears and eyes on his borders.

Informed sources said the 707 jets were flown to E-Systems' Greenville facility from the Boeing Co. in Seattle in late 1977. While E-Systems has declined to say how the planes were to be used by Iran, a company spokesman said Tuesday that the aircraft were being outfitted with sophisticated

navigation and communication systems.

No work is currently being done on the planes other than that needed to preserve the aircraft, the company said.

The IBEX program has been beset with troubles since it began. A Jan. 2, 1977, story by The Washington Post detailed instances of corruption, payments to U.S. firms from Swiss bank accounts and the Aug. 28, 1976, murder of three Rockwell International employees connected with the project in Tehran.

The CIA has also declined to answer questions regarding the program.

E-Systems was one of many United States firms to have business with the country before the fall of the Shah. In most cases, firms selling military hardware to Iran were protected against losses under the Foreign Military Sales program which required Iran to establish a trust fund and make pre-payments on projects. But sources close to the Defense Department said the E Systems work was not a part of the military sales program and did not qualify for any of the trust fund money.

The company declined to say how it was paid or if the Bank of Melli — the government owned bank of Iran — had failed to honor letters of credit that would have provided E-Systems payment for its work. However, the company did say loss of the payments would not have any "material adverse effect on its financial statements" because of a \$1.5 million reserve fund

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